



The Dairy benefits of a U.S. - Australia FTA

The negotiation of a Free Trade Agreement is important to the Australian dairy industry.

Greater access offers significant opportunities for the Australian dairy industry to grow demand for dairy products in the United States through new product development and marketing. This will create jobs in the United States in warehousing, distribution, retailing and in downstream, value-adding food processing.

The impact of greater access into the U.S. for Australian dairy produce should, however, be kept in perspective. The U.S. dairy sector is enormous in comparison to the industry in Australia. While the negotiation of a U.S.-Australia FTA is of real interest to the Australian dairy industry, the greatest benefits from trade liberalization will be achieved through multilateral agreement. The Australian dairy industry fully supports the Australian Government's efforts, as the leader of the Cairns Group of agricultural free trading nations, to prise open markets globally on a fair and transparent trading basis.

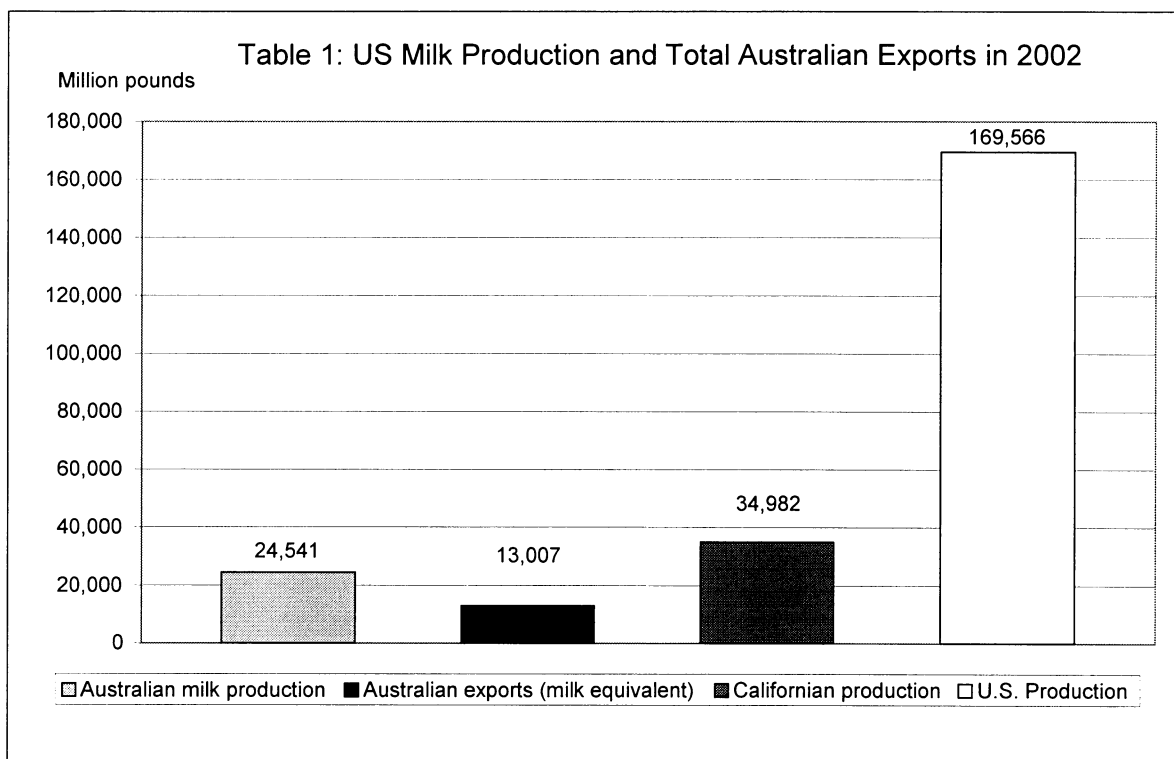
Australia's climate and natural resources are favourable to dairying. They allow the local industry to be predominantly pasture-based, with approximately 80 per cent of cows' feed derived from grazing. Australian dairy farmers operate in an industry environment where responding to domestic and export commercial demands is the key determinant of the milk price. This results in efficient, high quality milk production.

In summary, the Australian dairy industry is a customer-focused, confident and outward-looking industry.

Australian dairy exporting in perspective – a small player

Estimated Australian milk production in 2002 of 24.5 billion pounds was 30 per cent less than California, the leading milk producing state in the U.S. (see table below). For every one pound of milk exported by Australia to more than 120 countries in total the U.S. industry produced 13 pounds. Australia's main destinations are and will remain Southeast and East Asian nations, who collectively account for between two-thirds and three-quarters of total exports. Reasons are geographic proximity, market growth opportunities, long established and valued trading relationships and relatively open markets where competition from domestic dairy industries is limited.

Australian origin dairy exports are not subsidized.



Increased industry cooperation

A higher degree of integration of our respective dairy industries arising from an FTA would result in greater exchange of technology and expertise and would foster collaboration on R&D, to the benefit of both countries.

Dairy product access to the Australian market

Access for dairy products is duty (tariff) free and there are zero quotas. The sole exception is a quota on selected European-style semi-hard cheese varieties such as Gouda and Edam. The quota has been set sufficiently high so as never to be filled.

The Australian dairy market is sophisticated; offering opportunities for value added U.S. origin product.

Support for the Australian dairy industry is "sunsetting"

Australia's experience of phased market-oriented reform demonstrates the beneficial impact of openness to commercial market influences. Since the dairy market opening under the free trade agreement with New Zealand and the introduction of the Kerin reform plan in 1986 the Australian dairy industry has reinvented itself; from a largely domestically focused industry to that of an innovative, high quality supplier of dairy products to both domestic and export markets.

To support industry-agreed change the Australia Government established the Dairy Structural Adjustment Program (DSAP) to assist restructuring in the industry. Total program expenditure under the DSAP is fixed at US\$0.9 billion spread over an eleven-year period. The amount of funding is capped and the legislation sunsets, that is, the funding will be phased out. The purpose of the program is to assist dairy farmers to make the necessary adjustments in a market-oriented environment with minimal social and economic disruption.

Fostering trade benefits for all

In conclusion the Australian Dairy Industry will provide an alternative source of innovative, high quality dairy products tailored to meet and grow consumer demand. However, even with a comprehensive Free Trade Agreement Australia would remain a small player in the U.S. dairy market.

Australian Dairy Corporation
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